

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

12-2093.0

HB 1674-FN, *reducing the interest rate on late and delinquent property tax payments, subsequent payments and other unpaid taxes.*

House Municipal & County Government Committee

This bill reduces the interest rate on late and delinquent property tax payments, subsequent payments and other unpaid taxes. The collection of interest on unpaid taxes is revenue to cities and towns. The proposed decrease in the interest rates for unpaid, late taxes, and taxes that have gone to lien will reduce the amount of revenue to each city and town. The appropriation at the local level will be unchanged and, therefore, more local taxes will have to be collected in order to balance their budgets due to the reduction in revenue.

The most recent year that the Department of Revenue Administration has complete data for unpaid tax interest revenue is 2009. In 2009, \$19,512,977 had been collected in interest. That is an increase from \$17,730,896 in 2008 and \$16,928,254 in 2007.

There is a concern that more taxpayers would default on the payment of taxes if the financial consequences were lessened. There is a natural balance that has developed in the collection of property taxes. The liability for the taxes is established on April 1 of every tax year. The Legislature has determined that there should be no interest due on taxes until a bill is sent. The taxpayer who defaults on the tax payment does not have the interest recalculated back to the date that established the liability; rather it is calculated from the due date of the bill.

The Department noted in the Fiscal Note Worksheet that, as of January, 2010, the mean default interest rate for credit cards was 28.99% according to Creditcards.com. That means that, on average, people who cannot pay their credit card bills on a timely basis have interest accrue at a rate significantly higher than the rate for defaulted and late property tax payments. As of October 4, 2011, the national average rate for credit cards issued was 14.97%, and for credit cards with bad credit was 24.96% according to Creditcards.com.